

EXHIBIT A



**Universal Service Administrative Company
Schools & Libraries Division**

**Notification of Improperly Disbursed Funds Letter
Funding Year 1999: 7/01/1999 - 6/30/2000**

August 10, 2005

**Steve Newton
Premio Computer, Inc.
918 Radecki Court
City of Industry, CA 91748 5529**

**Re: SPIN: 143008583
Form 471 Application Number: 143513
Funding Year: 1999
FCC Registration Number:
Applicant Name: LOS ANGELES UNIFIED CLUSTER 07
Billed Entity Number: 143565
Applicant Contact Person: BERNARDO FOSCHETTI**

Our routine review of Schools and Libraries Program funding commitments has revealed certain applications where funds were disbursed in violation of program rules.

In order to be sure that no funds are used in violation of program rules, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) must now recover these improper disbursements. The purpose of this letter is to inform you of the recoveries as required by program rules, and to give you an opportunity to appeal this decision. USAC has determined the service provider is responsible for all or some of the program rule violations. Therefore, the service provider is responsible to repay all or some of the funds disbursed in error.

This is NOT a bill. The next step in the recovery of improperly disbursed funds process is for SLD to issue you a Demand Payment Letter. The balance of the debt will be due within 30 days of the Demand Payment Letter. Failure to pay the debt within 30 days from the date of the Demand Payment Letter could result in interest, late payment fees, administrative charges and implementation of the "Red Light Rule." Please see the "Informational Notice to All Universal Service Fund Contributors, Beneficiaries, and Service Providers" at www.universalservice.org/new/2004.asp#083104 for more information regarding the consequences of not paying the debt in a timely manner.

TO APPEAL THIS DECISION

If you wish to appeal the Notification of Improperly Disbursed Funds decision indicated in this letter, your appeal must be received or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Identify the date of the Notification of Improperly Disbursed Funds Letter and the Funding Request Numbers you are appealing. Your letter of appeal must also include the applicant name, the Form 471 Application Number, Billed Entity Number, and the FCC Registration Number from the top of your letter.
3. When explaining your appeal, copy the language or text from the Notification of Improperly Disbursed Funds Letter that is the subject of your appeal to allow the SLD to more readily understand your appeal and respond appropriately. Please keep your letter specific and brief, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.
4. Provide an authorized signature on your letter of appeal.

If you are submitting your appeal electronically, please send your appeal to appeals@sl.universalservice.org using the organization's e-mail. If you are submitting your appeal on paper, please send your appeal to: Letter of Appeal, Schools and Libraries Division, Box 125 - Correspondence Unit, 80 South Jefferson Road, Whippany, NJ 07981. Additional options for filing an appeal can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC web site or by calling the Client Service Bureau at 1-888-203-8100. We strongly recommend that you use the electronic appeals option.

While we encourage you to resolve your appeal with the SLD first, you have the option of filing an appeal directly with the Federal Communications Commission (FCC). You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC web site or by calling the Client Service Bureau. We strongly recommend that you use the electronic filing options.

FUNDING DISBURSEMENT REPORT

On the pages following this letter, we have provided a Funding Disbursement Report (Report) for the Form 471 application cited above. The enclosed Report includes the Funding Request Number(s) from the application for which recovery is necessary. Immediately preceding the Report, you will find a guide that defines each line of the Report. The SLD is also sending this information to the applicant for informational purposes. If USAC has determined the applicant is also responsible for any rule violation on these Funding Request Numbers, a separate letter will be sent to the applicant detailing the necessary applicant action. The Report explains the exact amount the service provider is responsible for repaying.

Schools and Libraries Division
Universal Services Administrative Company

cc: BERNARDO FOSCHET
LOS ANGELES UNIFIED CLUSTER 07

A GUIDE TO THE FUNDING DISBURSEMENT REPORT

Attached to this letter will be a report for each funding request from the application cited at the top of this letter for which a Recovery of Improperly Disbursed Funds is required. We are providing the following definitions.

FUNDING REQUEST NUMBER (FRN): A Funding Request Number is assigned by the SLD to each individual request in a Form 471 once an application has been processed. This number is used to report to applicants and service providers the status of individual discount funding requests submitted on a Form 471.

CONTRACT NUMBER: The number of the contract between the applicant and the service provider. This will be present only if a contract number was provided on the Form 471.

SERVICES ORDERED: The type of service ordered by the applicant, as shown on Form 471.

BILLING ACCOUNT NUMBER: The account number that you established with the applicant for billing purposes. This will be present only if a Billing Account Number was provided on the Form 471.

FUNDING COMMITMENT: This represents the amount of funding that SLD had reserved to reimburse for the approved discounts for this service for this funding year.

FUNDS DISBURSED TO DATE: This represents the total funds that have been paid to you for this FRN as of the date of this letter.

FUNDS TO BE RECOVERED FROM SERVICE PROVIDER: This represents the amount of Improperly Funds Disbursed to Date for which the service provider has been determined to be primarily responsible. These improperly disbursed funds will have to be recovered from you, the service provider.

DISBURSED FUNDS RECOVERY EXPLANATION: This entry provides the reason the adjustment was made.

**Funding Disbursement Report
for Form 471 Application Number: 143513**

Funding Request Number:	238460
Contract Number:	D8-0019429
Services Ordered:	INTERNAL CONNECTNS_S
Billing Account Number:	
Funding Commitment:	\$895,541.05
Funds Disbursed to Date:	\$895,541.05
Funds to be Recovered from Service Provider:	\$566,330.05
Disbursed Funds Recovery Explanation:	

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. During the course of review it was determined that funds were disbursed for products and/or services that were not delivered. During an investigation, it was determined that \$895,541.05 of funding was disbursed for servers. The applicant and service provider were only able to verify that \$369,900.00 (\$12,330.00*30) worth of servers were actually delivered for this funding request. FCC rules authorize USAC to disburse funds to service providers for providing supported services to eligible entities. These rules are violated if the service provider receives payment for services and/or products that it did not deliver to the eligible entity. Since the services were invoiced via a SPI, this violation was caused by an act or omission of the service provider because the service provider is responsible for ensuring that it only receives support for services and/or products that it actually provides to its customers. Accordingly, the SLD will seek recovery of the \$566,330.05 (\$895,541.05-\$329,211.00) of improperly disbursed funds from the service provider.

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CHECK TO ENSURE TIMELY PROCESSING**

Funding Request Number:	238465
Contract Number:	D8-0019429
Services Ordered:	INTERNAL CONNECTNS_S
Billing Account Number:	
Funding Commitment:	\$961,438.97
Funds Disbursed to Date:	\$961,438.97
Funds to be Recovered from Service Provider:	\$961,438.97

Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that funds were improperly disbursed on this funding request. During the course of review it was determined that funds were disbursed for products and/or services that were not delivered. During an investigation, it was determined that \$961,438.97 of funding was disbursed for servers. The applicant and service provider were unable to verify that any of the servers were actually delivered for this funding request. FCC rules authorize USAC to disburse funds to service providers for providing supported services to eligible entities. These rules are violated if the service provider receives payment for services and/or products that it did not deliver to the eligible entity. Since the services were invoiced via a SPI, this violation was caused by an act or omission of the service provider because the service provider is responsible for ensuring that it only receives support for services and/or products that it actually provides to its customers. Accordingly, the SLD will seek recovery of the \$961,438.97 of improperly disbursed funds from the service provider.

**PLEASE SEND A COPY OF THIS PAGE WITH YOUR
CHECK TO ENSURE TIMELY PROCESSING**

BERNARDO FOSCHETTI
LOS ANGELES UNIFIED CLUSTER 07
6621 BALBOA BLVD.,
VAN NUYS, CA 91406 5529

EXHIBIT B



Universal Service Administrative Company
Schools & Libraries Division

Administrator's Decision on Appeal - Funding Year 1999-2000

August 30, 2006

Paul J. Loh
Willenken Wilson Loh & Stris, LLP
707 Wilsire Boulevard, Suite 3850
Los Angeles, California 90017

Re: Applicant Name: Los Angeles Unified School District 07
 Billed Entity Number: 143565
 Form 471 Application Number: 143513
 Funding Request Number(s): 238460, 238465
 Your Correspondence Dated: October 7, 2005

After thorough review and investigation of all relevant facts, the Schools and Libraries Division ("SLD") of the Universal Service Administrative Company ("USAC") has made its decision in regard to your appeal of USAC's Funding Year 1999 Notification of Improperly Disbursed Funds Letter for the Application Number indicated above. This letter explains the basis of SLD's decision. The date of this letter begins the 60-day time for appealing this decision to the Federal Communications Commission ("FCC"). If your letter of appeal included more than one Application Number, please note that for each application for which an appeal is submitted, a separate letter is sent.

Funding Request Number(s): 238460, 238465

Decision on Appeal: **Denied**

Explanation:

- On appeal you state that Premio contends that USAC's decision to recover funding from Premio in the amount of \$1,527,769.02 is improper because the decision contravenes the administrative limitations period for audits or other investigations which states that USAC and the Commission shall carry out any audit or investigation that may lead to discovery of any violation of the statute or a rule within five years of the final delivery of services for a specified funding year as set forth in Federal Communications Order No. 04-190 (Adopted: August 4, 2004; Released: August 13, 2004). You state that the decision also fails to identify its legal basis because it does not indicate which FCC rules were found to have been violated. Instead, the decision references unspecified FCC rules which authorize USAC to disburse funds to service providers for providing supported services to eligible entities and then states that these rules are violated if the service provider receives payment for

services and/or products that it did not deliver to the eligible entity. You close the appeal by stating that the decision improperly concludes that Premio violated unspecified FCC rules even though Premio actually or constructively delivered all of the requested servers it was contracted to deliver under FRN: 238460 and FRN: 238465. You state that the decision appears to be hinged on the conclusion that funds were improperly disbursed for products that were not delivered. However, correspondence from counsel for LAUSD to USAC during the course of the initial investigation confirmed that that LAUSD did not accept the remaining 98 servers (after accepting the first 30 servers) because LAUSD disputed whether they were satisfactory. The only reason why fewer than 100% of the servers were actually delivered to LAUSD is because they refused to accept them all as Premio did actually provide them all.

- After a thorough review of the appeal and all relevant supporting documentation it was determined that the Funding Commitment Decision Letter was issued on October 26, 1999. Three (3) Service Provider Invoices (via Form 474) were submitted as; Invoice: 99586 on March 31, 2000, Invoice: 102333 on April 10, 2000, and Invoice: 101419 on April 7, 2000. It was also determined that according to program rules all non-recurring services must be delivered and installed between July 1 of the relevant funding year (1999 in this case) and September 30, following the June 30 close (2000 in this case) of that funding year (i.e., 15 months after the beginning of the funding year). However, certain recipients have received or may receive extensions of the deadline for delivery and installation of non-recurring services. According to our records, no extension of the September 30, 2000 final date of delivery was requested and \$895,541.05 of funding was disbursed for servers. The documentation submitted to USAC by the applicant and service provider was only able to verify that \$369,900.00 worth of servers was actually delivered for this funding request. It was determined that the services were invoiced via a Form 474 (SPI), thus the violation was caused by an act or omission of the service provider because the service provider is responsible for ensuring that it only receives support for services and/or products that it actually provides to its customers. The SLD issued the Recovery of Improperly Disbursed Funds (RIDF) Letter on August 10, 2005 which is within the FCC five-year administrative limitations period of September 30, 2000 to September 30, 2005. Accordingly, the SLD will continue to seek recovery of the \$566,330.05 of improperly disbursed funds from the service provider in this case. Consequently, your appeal is denied.
- SLD improperly disbursed funding for services that were not provided or equipment that was not installed as approved on the applicant's Funding Year 1999 FCC Form 471. FCC rules authorize USAC to disburse funds to service providers for providing supported services to eligible entities. 47 C.F.R. §§ 54.501(a), 54.517. These rules are violated if the service provider receives

payment for services and/or products that were not delivered to the eligible entity. In the Fifth Report and Order, the Commission stated that it would not be appropriate "for a beneficiary to retain an overpayment if, for some reason, USAC has mistakenly disbursed an amount in excess of that which the entity is allowed under our rules". See Federal State Joint Board on Universal Service, Changes to the Board of Directors for the National Exchange Carrier Association, Inc., Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd at 15821-22, 30, FCC 04-190, ¶ 29 (rel. Aug. 13, 2004). The FCC further states that "the service provider is likely to be the entity that fails to deliver supported services within the relevant funding year, fails to properly bill for supported services" and therefore, the service provider should be a party to whom recovery should be directed. See Federal State Joint Board on Universal Service, Changes to the Board of Directors for the National Exchange Carrier Association, Inc., Schools and Libraries Universal Service Support Mechanism, Order on Reconsideration and Fourth Report and Order, 19 FCC Rcd 15252, FCC 04-181, ¶ 15 (rel. Jul. 30, 2004).

If your appeal has been approved, but funding has been reduced or denied, you may appeal these decisions to either the SLD or the Federal Communications Commission (FCC). For appeals that have been denied in full, partially approved, dismissed, or cancelled, you may file an appeal with the FCC. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site or by contacting the Client Service Bureau. We strongly recommend that you use the electronic filing options.

We thank you for your continued support, patience, and cooperation during the appeal process.

Schools and Libraries Division
Universal Service Administrative Company

Cc: Bernardo Foschetti
Los Angeles Unified Cluster 07
6621 Balboa Boulevard
Van Nuys, CA 91406